

EXHIBIT 2



Puerto Rico

Congressional Hearing Sheds Light on Puerto Rico Hurricane Rebuilding, Including More Than \$12B in Unused Funds Allocated for PREPA's Electrical System

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Relevant Documents:

[PREPA Testimony](#)

[Luma Energy Testimony](#)

[COR3 Testimony](#)

[FEMA Testimony](#)

[GAO Testimony](#)

[U.S. Virgin Islands Testimony](#)

The U.S. House Committee on Transportation and Infrastructure's Subcommittee on Economic Development, Public Buildings and Emergent Management held a hearing today on the status of Federal Emergency Management Agency-funded recovery efforts in Puerto Rico and the U.S. Virgin Islands five years after the two territories were lashed by back-to-back hurricanes in September 2017.

The hearing touched on progress and challenges, including delays in the deployment of FEMA funding and concerns regarding the impact of inflation on project costs and completions. Federal and territorial officials acknowledged slow progress early but pointed to 2022 as a pivotal year for a pickup in the pace of FEMA-funded permanent works.

Rep. Dina Titus, the Nevada Democrat who chairs the subcommittee, raised the issue of the potential for inflation to spur cost overruns that could put project completions at risk under current funding levels. Anne Bink, associate administrator of FEMA's Office of Response and Recovery, indicated that existing cost estimates are solid, given that inflation adjustment provisions were built in.

The status of Puerto Rico's electrical infrastructure was a substantial focus of the hearing and was discussed in the testimony by commonwealth Office for Recovery, Reconstruction, and Resiliency, or COR3, Executive Director Manuel Laboy, Puerto Rico Electric Power Authority Executive Director Josue Colón, Luma Energy Senior Vice President Shay Bahramirad and FEMA and Government Accountability Office officials.

Puerto Rico energy issues will again be in the spotlight on Capitol Hill next week, with the full U.S. House Natural Resources Committee, which has primary jurisdiction over territorial matters in Congress, scheduled to hold a [two-panel hearing](#) on Thursday, Sept. 22, on insular matters. The first panel will focus on the reach of the PROMESA law, the performance of the PROMESA oversight board and the island government's fiscal situation. The second panel will focus on Puerto Rico's energy system.

In his written testimony today, Colón pegged post-hurricane funding for PREPA's electrical system at more than \$14 billion. That includes FEMA funding of \$1.9 billion for emergency works and roughly another \$9.5 billion in FEMA funding for permanent works, with the vast bulk of the latter tracking to be deployed in the coming years. Currently, there is a total of approximately \$12.2 billion assigned for the reconstruction of PREPA's electrical system and water infrastructure in FEMA section 428, FEMA section 404, local matching funds and insurance. The following chart shows the initial allocation of these funds, most of which are earmarked for transmission and distribution projects planned by Luma Energy as the private operator of PREPA's grid:

Asset	Operator	FEMA 428	FEMA 404	Total
<i>in million</i>				
Buildings	LUMA	\$ 125.09	\$	125.09
Substations	LUMA	781.89		781.89
Distribution	LUMA	5,499.84		5,499.84
Transmission	LUMA	2,642.13		2,642.13
Generation	PREPA	108.95	853.20	962.15
IT/Telecomms	LUMA	685.93		685.93
Dams, Irrigation and Reservoirs	PREPA	860.93	658.53	1,519.46
		\$ 10,704.76	\$ 1,511.73	\$ 12,216.49
Insurance reduction		\$ 193.75	\$	193.75
Local Share		\$ 1,051.10	\$	1,051.10
Federal Share		\$ 9,459.91	\$ 1,511.73	\$ 10,971.64

Currently, PREPA is allocating approximately \$1.2 billion for permanent works on the generation system and water assets, which results in about \$8.2 billion of FEMA section 428 funds for works on the transmission and distribution system and other facilities. When the latter federal funds are added to the estimated insurance contribution of \$184 million and the local cost share of \$913 million, this results in a current total of about \$9 billion of funds for projects for the transmission and distribution system and other facilities. The following chart provides a summary of the current allocation:

Asset	Operator	FEMA 428	FEMA 404	Total
<i>in million</i>				
Transmission, Distribution, and Other Facilities	LUMA	\$ 9,313.21	\$	9,313.21
Generation	PREPA	502.70	853.20	1,355.90
Dams, Irrigation and Reservoirs	PREPA	888.85	658.53	1,547.38
		\$ 10,704.76	\$ 1,511.73	\$ 12,216.49
Insurance reduction		\$ 193.75	\$	193.75
Local Share		\$ 1,051.10	\$	1,051.10
Federal Share		\$ 9,459.91	\$ 1,511.73	\$ 10,971.64

In her written testimony, Bahramirad stated that, taken in totality, over the coming months and years, FEMA-funded projects that are being directed by Luma will not only represent the largest capital energy program in Puerto Rico's history, they will represent the largest ever funded by the federal government to repair and rebuild an electric system across any state and/or territory.

Resident Commissioner Jenniffer González, a member of the House subcommittee and the island's lone member of Congress, pointed to recent power outages on the island as she reiterated her opposition to Luma's continued operation of PREPA's transmission and distribution system.

Pressed by the resident commissioner for a time frame in which Luma will rebuild the grid to industry standards, Bahramirad indicated that significant progress has been made to date that will, as more FEMA projects begin construction, strengthen and transform the long-term future of Puerto Rico's energy grid.

Under questioning by the resident commissioner, FEMA's Bink noted that while only \$40 million has been disbursed for public utility permanent works in Puerto Rico, a substantial amount of work has been done between the federal government and the commonwealth to set the stage for a significant increase in the coming months and years as the process pivots to getting "shovels in the ground."

Responding to talk about "shovel-ready" projects, Titus noted: "I've heard from engineers over the years that you really need to be pencil-ready."

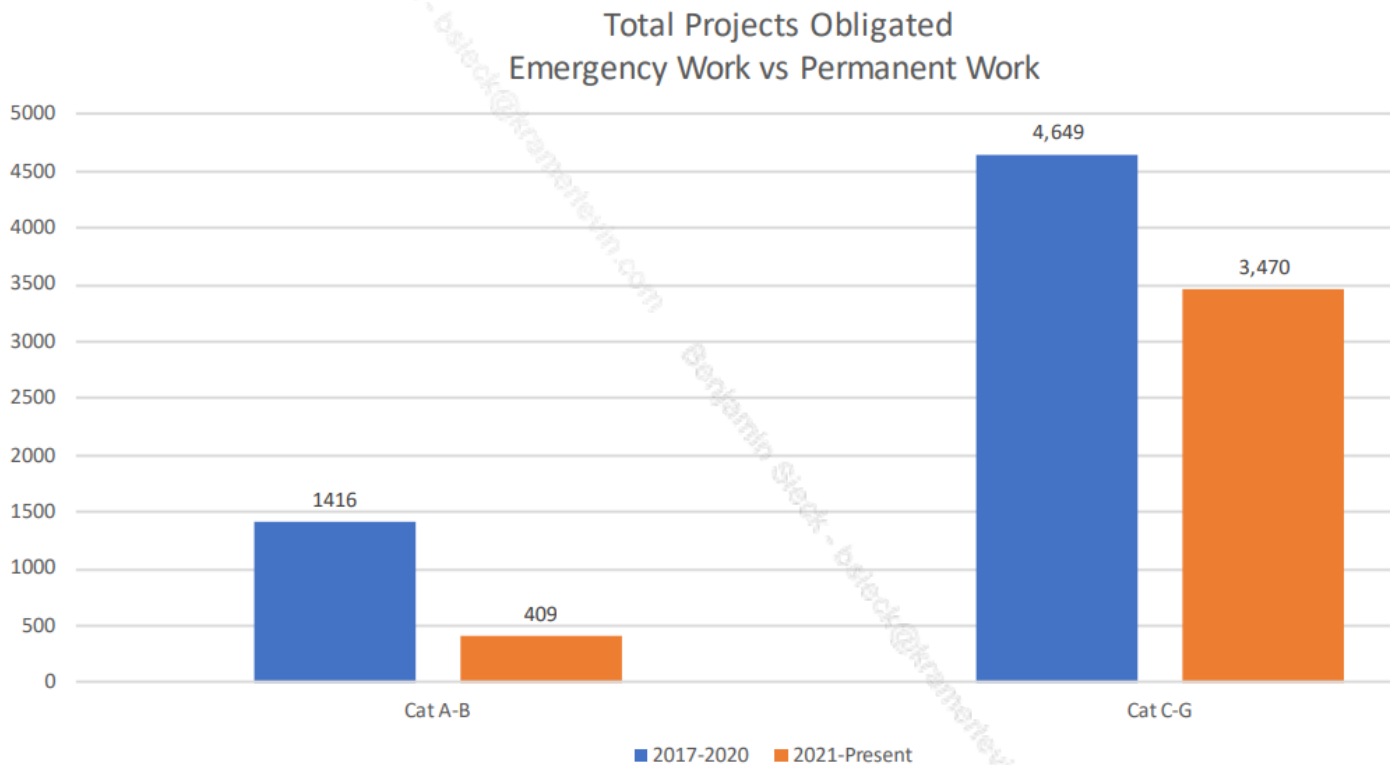
Laboy, whose COR3 is the initial recipient of nearly all of the FEMA funding for Puerto Rico, including

money earmarked for the electrical system, pointed to 2020 as a turning point in which the island “moved out of response and into recovery” from the 2017 hurricanes.

With the majority of emergency work complete under FEMA categories A and B, Puerto Rico’s disaster response transitioned to disaster recovery, with its primary focus on the formulation and execution of permanent work projects (which are captured under FEMA categories C through G). By its nature, long-term infrastructure recovery is a slower process, as it requires the development of scopes of work, the design and engineering of projects, procurement of construction contracts, and ultimately construction, according to Laboy.

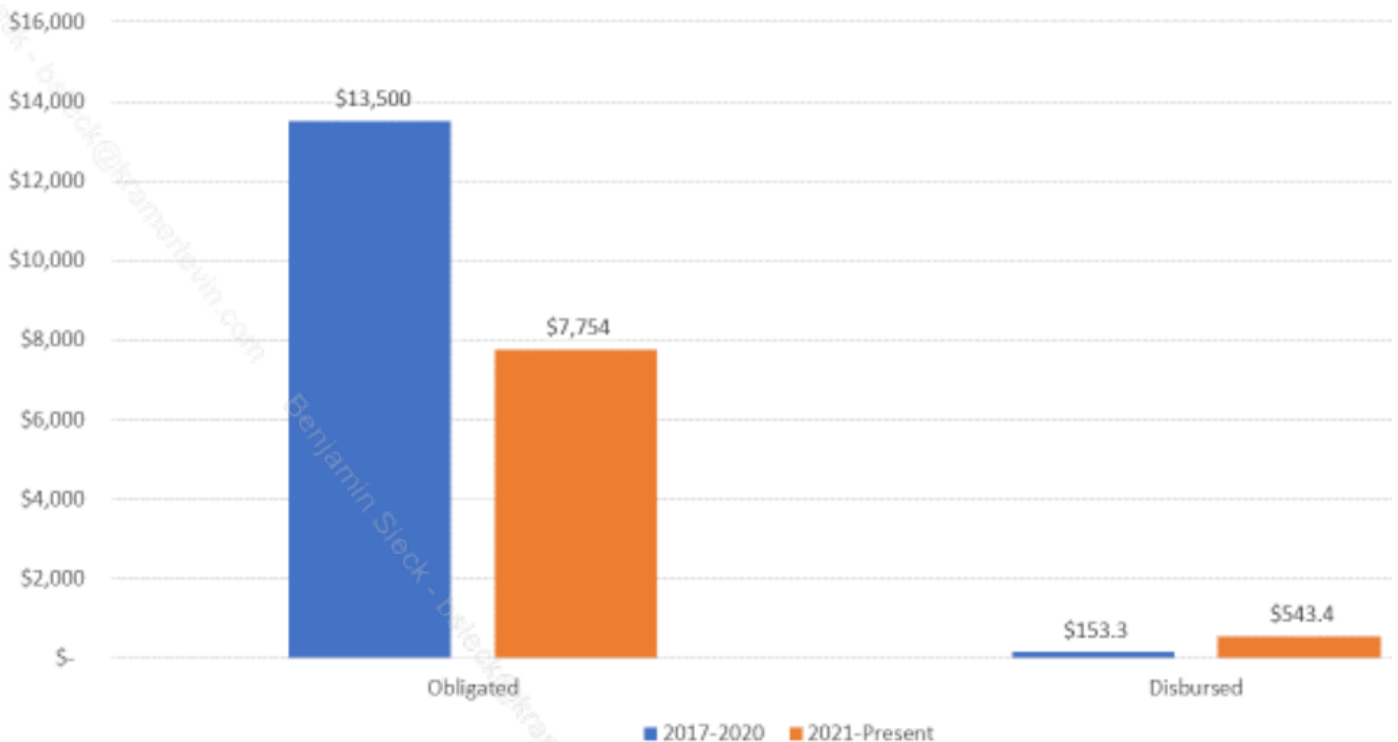
“All indications, however, show significant momentum since 2021,” he said. He noted, for example, that from 2017 to 2020, COR3 disbursed \$3.9 million in FEMA public assistance for emergency work and just \$153.3 million in for permanent work. But from 2021 through the present, COR3 has disbursed an additional \$386.8 million for emergency work and another \$543.4 million for permanent work. “These numbers demonstrate the marked shift from response to recovery,” he said.

According to Laboy’s testimony, “although 2022 appears to be a major milestone in Puerto Rico’s recovery, there is much ground to be made up after years of delay.”



As Puerto Rico moves toward permanent work projects, Laboy cited a significant increase in obligated permanent work projects as well as disbursements.

Total Obligated vs Disbursement Amounts for Cat C-G (in Millions)



The COR3 chief called on Congress to support efforts to further streamline FEMA processes and cited “significant progress” toward the use of U.S. Department of Housing and Urban Development Community Development Block Grant-Disaster Recovery funds for the local cost share on approved FEMA projects. He said the commonwealth Housing Department, which is the administrator of CDBG-DR funds allocated to Puerto Rico, and COR3 have continued to coordinate on the design, development and implementation of the FEMA public assistance flexible match methodology guidelines, as published in October 2020. In addition, the two commonwealth entities submitted a joint petition to FEMA discussing the procedure for implementation of a disaster flexible match approach that would eliminate the need for eligible applicants to comply with CDBG-DR requirements under each individual project to receive its non-federal share. Under the proposed procedure, applicants would apply for match payments on the basis of the total cost share corresponding to selected FEMA projects for a specific disaster, thereby reducing additional administrative burdens to the recipient and the participating subrecipients/applicants.

According to COR3’s website, nearly \$80 billion in federal recovery funding has been allocated to Puerto Rico in response to the 2017 hurricanes, subsequent earthquakes and the Covid-19 pandemic. Of that global total, nearly \$67.673 has been obligated and \$24.473 billion disbursed. Allocated FEMA funds account for \$43.425 billion of the \$80 billion in federal relief. Of the FEMA funds, \$40.574 billion has been obligated, and nearly \$16.65 billion has been disbursed, according to COR3.

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